

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Sen. Rev. & Tax Comm. Analyst: Jeani Brent Bill Number: SB 1229

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 09/02/1999

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Miscellaneous Income Tax Provisions

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended August 16, 1999.
- ☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- ☐ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO _____.
- ☒ REMAINDER OF PREVIOUS ANALYSES OF BILL AS AMENDED June 30, 1999, and August 16, 1999, STILL APPLY.
- ☒ OTHER - See comments below.

SUMMARY OF BILL

This bill, sponsored by the Franchise Tax Board, would make the following changes:

1. Retain the program to refund excess state disability insurance through the tax return while ensuring that taxpayers who fail to claim the credit on their return still would be identified as quickly as possible to receive a refund of their excess contributions.
2. Make several changes relating to federal adjustments regarding defining the final federal determination date and requirements for taxpayers to notify the department of any federal changes to their tax return.
3. Make a technical correction to the alternative minimum tax (AMT) provisions to refer to the depreciation provisions under the Bank and Corporation Tax Law (B&CTL) rather than those under the Internal Revenue Code (IRC).
4. Clear up inconsistencies regarding voluntary contribution funds and delete redundant and unnecessary language.
5. Specify that for purposes of determining the correct amount of tax for water's-edge electors, the presumption of correctness attaches to all federal audit determinations, including determinations made at the audit, appeals, and/or competent authority levels.
6. Clarify that substandard housing could be housing that is either (1) occupied, or (2) unoccupied or abandoned.
7. Eliminate obsolete language regarding pending litigation related to the provision allowing elimination from income of certain unitary corporation intercompany dividends.
8. Eliminate ambiguity with respect to the due date for filing a tax return by requiring corporate taxpayers to file their income tax return "on or before the 15th day of the third month following the close of its income year."

Board Position:

<input checked="" type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

9/21/1999

9. Remove the commercial domicile restriction from Revenue and Taxation Code (R&TC) Section 24410, permitting all corporations, regardless of where commercially domiciled, to deduct dividends received from an insurance company subsidiary operating in California and subject to the gross premiums tax contingent upon enactment of SB1125.
10. Specify that a taxpayer that uses the Head of Household (HOH) filing status or surviving spouse filing status cannot claim the dependent parent credit.
11. Clean up technical issues made necessary by the enactment of various bills affecting the R&TC in the 1998 legislative session.
12. General maintenance of the R&TC, including repealing obsolete provisions, updating cross-references, and making consistent references to federal law.
13. Clarify that payment of estimated tax by corporations and exempt organizations is not a prerequisite for receiving an extension of time to file a return.
14. Clarify that exempt organizations subject to tax on unrelated business taxable income are required to make estimated tax payments.
15. Eliminate the requirement for the revivor fee for exempt organizations and require all exempt organizations seeking revivor to submit a new exemption application when requested by the department.
16. Specify that an organization's exempt status may be revoked for failure to file any return required or failure to pay any tax due and exempt status may be reestablished only upon the filing of all returns or the payment of all taxes due.

SUMMARY OF AMENDMENT

The September 2, 1999, amendments corrected technical errors that were contained in the August 16, 1999, amendments and removed Section 23456 from the bill. Section 23456 also is included in AB 1208, and that bill recently was amended to include the technical code maintenance change that would have been made by this bill. Removing Section 23456 from this bill will ensure there are no chaptering problems between this bill and AB 1208.

Except for the items discussed in this analysis, the department's analyses of the bill as amended June 30, 1999, and August 16, 1999, still apply.

BOARD POSITION

Support.

The Franchise Tax Board voted at various meetings to sponsor the legislative proposals included in this bill.